GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2087
ANSWERED ON:05.08.2005
12TH FINANCE COMMISSION
Rao Shri Sambasiva Rayapati

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government has asked all State Governments to indicate the amount to borrow from the market within the limits prescribed by the 12th Finance Commission;

(b) if so, the details of response from the States, State-wise alongwith action taken by the Union Government thereon;

(c) whether the Union Government has asked these States to appraise of the resource mobilization model for 2005-06 in the wake of RFC proposal to permit States to borrow from the market;

(d) if so, whether any concrete proposals in this regard have been received by the Government from the States; and

(e) if so, the steps being taken by the Union Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANiCKAM)

(a) to (d) Twelfth Finance Commission has recommended that Central Government should not act as an intermediary for future lending to States and allow the States to approach the market directly. Government of India has accepted this recommendation of Twelfth Finance Commission and accordingly States have been conveyed about the decision and asked to project their borrowing requirements.

States in their responses to this decision have raised issues of regularity of fund flows for-State Plans, inability of some States to raise market borrowings, high cost of small saving funds and caps on market borrowings by the States. Some States have also conveyed their borrowing requirements.

(e) Government of India has accepted the recommendation of Twelfth Finance Commission to borrow on behalf of Fiscally Weak States who are unable to raise funds from the market and allow other States to borrow from the market directly.